disturbing factors play a part, the Bank of England lias several times changed its discount policy and adopted other measures to influence the supply of floating capital. One of the most frequent of these devices is what is called " borrowing on consols/' This consists in the sale by the bank in the open market of a portion of its holdings of consols for cash and the purchase at the same time of an equal amount of consols for the monthly account. The effect of this operation is to absorb the amount of cash for which the consols are sold and thus force up "the open market rate" for money, while the bank gets back the consols at the time of the monthly settlement.[1]

Prior to 1844 comparative uniformity prevailed in discount rates at the Bank of England. For more than a century, down to 1839, "the bank rate" never exceeded five per cent, nor fell below four per cent. During the pressure of 1839 it was raised for some months to six per cent., but in January, 1840, was reduced to five per cent, and remained at that rate or at four per cent, until the passage of the Act of i844.[2] At that time, the open market rate being not above two per cent., the bank was " out of the market." It was in August, 1844, that the bank rate was reduced to two and a half per cent., and from that date the changes in rate have been more numerous than at any other bank in the world. The total number of changes from 1844 *° the close of 1900 was 400, of which by far the greater number were made after the change of policy in 1857 already referred to. During the thirty-eight years from 1857 to the period of cheap money in 1894 occurred 330 changes, or an average of more than eight per year. The year 1873 witnessed twenty-four

[1] *Cf.* Nicholas, in *Moody[1]s Magazine,* January, 1907, III., 158.
Easton says regarding this practice: " It is difficult to understand how such capital can be utilized at a profit, but when the bank gets control of the market it is able to obtain more discount business, which no doubt would more than compensate it for the amount paid as interest on loans.'[1]—Banks and Banking, 150.

[2] Palgrave, 49.